

INFORMED BUDGETEER

FY 1999 BUDGET RESOLUTION							
(\$ in billions)							
		1998	1999	2000	2001	2002	2003
Total Spending							
On-Budget	BA	1375	1425	1471	1513	1547	1616
	OT	1356	1409	1451	1490	1507	1580
Off- Budget	BA	314	322	332	344	356	369
	OT	314	322	332	344	356	369
Total	BA	1689	1747	1803	1857	1903	1986
	OT	1670	1731	1783	1834	1863	1949
Revenues							
On-Budget		1261	1300	1326	1369	1432	1487
Off-Budget		417	438	458	477	498	521
Total		1680	1738	1784	1847	1930	2008
Deficit/Surplus							
On-Budget		-94	-109	-125	-121	-76	-93
Off-Budget		103	117	126	134	142	151
TOTAL		10	8	1	13	67	58

SBC Preliminary Estimates

THE RECORD ON EDUCATION APPROPRIATIONS:  
THERE THEY GO AGAIN!

- Here we go again. It must be an election year. It’s time once again to put federal education funding into perspective.
- In the current school year (1997-1998), according to the National Center for Education Statistics, total expenditures for education in the U.S. will reach almost \$600 billion. Of this total, the federal contribution will reach about \$52 billion or 8.7 percent. And federal funding support for elementary and secondary schools will total \$22.5 billion, or about 6 percent of all federal, state, local and private funds available to these schools.
- Except for federal subsidies and assistance to college loans (direct or guaranteed), all federal funding for education programs in the country go through the annual appropriation process.
- The Bipartisan Budget Agreement of 1997 reached just 11 months ago, set an exact level of appropriation funding for education, training, and employment programs over the following five years. The Senate Budget Committee - reported resolution last week stuck to those agreed to numbers for education. The Administration the next day then found it necessary to blast the Committee’s action for doing what they had themselves only recently agreed to.
- Why? Because it is an election year. But also because the Administration had created expectations of a new “mandatory” elementary and secondary education program by promising schools unrealized receipts from an untransmitted tobacco bill to be spent on an unspecified and untransmitted -- \$7.3 billion five- year class size reduction program. And for the record, for school boards planning next year’s school budget this would mean a whopping \$372 million, or about 0.1 percent of all funding on elementary and secondary education. And for this the Senate Budget Committee - reported budget resolution is anti-education!
- The table below summarizes the history of President Clinton’s appropriation requests for education funding and the final actions of Congress. Compared to the President’s requested levels, the Democratic controlled Congresses’ appropriations for 1993 through 1995 reduced the President’s funding request by \$3.0 billion. The “anti-education” Republican controlled Congresses through last year reduced his requests by \$2.2 billion!

Federal Education Funding								
(Outlays in Billions, Discretionary)								
President’s Request	1993	1994	1995	1996	1997	1998	1999	
FY 1994 <sup>A</sup>	25.6	25.7						
FY 1995 <sup>B</sup>	24.7	25.2	26.1					
FY 1996 <sup>C</sup>	24.7	24.6	25.5	26.3				
FY 1997 <sup>D</sup>	24.7	24.6	25.1	25.5	26.2			
FY 1998 <sup>E</sup>	24.7	24.6	25.1	25.5	25.7	28.5		
FY 1999 <sup>F</sup>	24.7	24.6	25.1	25.5	25.7	28.0	31.4	
Actuals <sup>G</sup>	24.7	24.6	25.1	25.1	25.7	28.0	31.2	
vs. Request	-0.9	-1.1	-1.0	-1.2	-0.5	-0.5	-0.2	

NOTE: The table includes education programs only, subfunctions (501), (502) and (503). Italics indicates 1999 actual Senate Budget Committee reported resolution -- assumption 3/19/98.

<sup>A</sup>Budget of the United States, FY94, CBO reestimate of the President’s Request

<sup>B</sup>Budget of the United States, FY95, CBO reestimate of the President’s Request

<sup>C</sup>Budget of the United States, FY96, CBO reestimate of the President’s Request

<sup>D</sup>Budget of the United States, FY97, CBO reestimate of the President’s Request

<sup>E</sup>Budget of the United States, FY98, CBO reestimate of the President’s Request

<sup>F</sup>Budget of the United States, FY99, CBO reestimate of the President’s Request

<sup>G</sup>Budget of the United States, FY99, Historical Tables and CBO March 98 Baseline estimate for 1998.

SUMMARY OF COMMITTEE MARK-UP VOTES

The following are roll call votes were taken during the Senate Budget Committee mark-up of the FY 1999 Budget Resolution:

March 17, 1998

- Hollings Sense of the Senate to balance the budget without counting Social Security surpluses and to reform Social Security. Amendment adopted by a voice vote.

March 18, 1998

- Bond Sense of the Senate that savings in the School-to-work program should be applied to early childhood development. Amendment adopted by voice vote.
- Bond Sense of the Senate regarding taxpayer rights. Amendment adopted by voice vote.
- Feingold Sense of the Senate regarding full funding for the National Guard. Amendment adopted by voice vote.
- Wyden *et al.* Sense of Senate on Medicare Payment. Amendment adopted by voice vote.
- Wyden Sense of the Senate on long-term care. Amendment adopted by voice vote
- Conrad amendment to amend the resolutions’s tobacco reserve fund to allow tobacco revenues to be spent on anti-tobacco programs instead of being devoted solely to Medicare solvency. Amendment defeated by: Yeas: 10; Nays: 12.
- Conrad amendment to amend the resolutions’s tobacco reserve fund to allow tobacco revenues to be spent on Social Security instead of being devoted solely to Medicare solvency. Amendment defeated by: Yeas: 10; Nays: 12
- Conrad amendment to amend the resolutions’s tobacco reserve fund to allow tobacco revenues to be spent on children’s health insurance programs instead of being devoted solely to Medicare solvency. Amendment defeated by: Yea: 10; Nay: 12.

- Conrad amendment to amend the resolutions’s tobacco reserve

- fund to allow tobacco revenues to be spent to assist tobacco farmers instead of being devoted solely to Medicare solvency. Amendment defeated by: Yea: 9; Nay: 13.
11. Conrad amendment to amend the resolutions’s tobacco reserve fund to allow tobacco revenues to be spent on a comprehensive tobacco program instead of being devoted solely to Medicare solvency. Amendment defeated by: Yea: 10; Nay: 12.
12. Boxer amendment to amend the resolution’s tobacco reserve fund to allow tobacco revenues to be spent on National Institutes of Health instead of being devoted solely to Medicare solvency. Amendment defeated by: Yea: 10; Nay: 12.
13. Grams amendment to dedicate half of the budget surplus to debt reduction and half to tax relief instead of reserving it entirely for Social Security reform. Amendment defeated by: Yea: 2; Nay: 20
14. Grams Sense of the Congress on the Department of Energy budget. Amendment defeated by voice vote.
15. Wyden Sense of the Senate on climate change research and other funding. Amendment adopted by voice vote.
16. Murray amendment to create a reserve fund to allow revenue increases for spending on a new mandatory program to reduce school class size. Amendment defeated by: Yea: 10; Nay: 12.
17. Murray amendment to create a reserve fund to allow revenue increases for additional mandatory spending for child care. Amendment defeated by: Yea: 10; Nay: 12.
18. Snowe *et al.* Sense of the Senate on additional tax relief and spending increases for child care. Amendment adopted by voice vote.
19. Snowe Sense of the Senate that legislation should be enacted to ensure that lenders do not withdraw from the guaranteed student loan program to the detriment of students. Amendment adopted by voice vote.
20. Durbin *et al.* Sense of the Senate regarding deductibility of health insurance premiums for self employed. Amendment adopted by voice vote.
21. Grams Sense of Congress that funds should not be provided to put into effect the Kyoto Protocol prior to its ratification. Amendment adopted by voice vote.
22. Lautenberg amendment to create a reserve fund to allow revenue increases for additional mandatory spending on a new Environmental Resources Fund. Amendment defeated by: Yea: 9; Nay: 13.
23. Lautenberg Sense of the Senate calling for a tax or other price increase of at least \$1.50 per pack of cigarettes. Amendment adopted by: Yea: 14; Nay: 8.
24. Lautenberg Sense of the Senate that the Food and Drug Administration is fully funded and has full authority to regulate tobacco (nicotine) as a drug. Amendment defeated by: Yea: 9; Nay: 13.
25. Lautenberg substitute amendment offering a Democratic alternative budget. Amendment defeated by: Yea: 8; Nay: 14.
26. Final Passage; Measure adopted by: Yea: 12; Nay: 10.

ECONOMICS

TRADE AND CURRENT ACCOUNT DATA SHOWS “ASIA EFFECT”

- Recent economic data show the effects of the ongoing Asian financial crisis. January’s US trade deficit surged to \$12.0 billion, its highest reading since 1987. This was led by a near doubling of our deficit with the main Asian countries excluding Japan and China.

US Bilateral Merchandise Trade Deficit (NSA, \$ in billions)		
	Jan-1997	Jan- 1998
Hong Kong	0.16	0.06
Indonesia	-0.44	-0.54
Korea	0.18	-0.86
Malaysia	-0.62	-0.52
Phillippines	-0.16	-0.34
Singapore	-0.05	-0.29
Taiwan	-1.07	-1.11
Thailand	-0.37	-0.48
TOTAL	-2.37	-4.06

SOURCE: Bureau of the Census

Recent current account data highlight Asia’s impact on US financial flows as well. While overall foreign purchases of US assets were little changed in the fourth quarter, there were notable shifts in foreign investment patterns.

Private foreign investors poured a record \$87 billion into US bank deposits in the fourth quarter, reflecting likely safe haven flows. In contrast, foreign central banks sold \$24 billion in US Treasuries in the fourth quarter, possibly reflecting Asian currency market intervention.

Foreign Purchases of US Assets (\$ in billions)					
	1996	’97 Q1	’97 Q2	’97 Q3	’97 Q4
Foreign Central Banks					
Treasury Purchases	111	23	12	7	-25
Foreign Private Investor					
Treasury Purchases	172	51	50	42	44
Bank Deposits	10	17	28	10	87

Source: Dept of Commerce, BEA

On net, recent Asian-related economic developments remain conducive for low long-term interest rates -- (1) higher trade deficits will temper otherwise robust US growth; (2) safe haven appeal should keep foreign interest in US interest rate products high; and (3) the stronger dollar and falling commodity prices should temper US inflationary expectations.

CALENDAR

The Committee-reported resolution was filed in the Senate on Friday, and is likely to be considered late this week. The Committee- reported resolution was filed as S. Con. Res 86, Calendar #330, and Report 105-170.